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Annual Report

**CONSOLIDATED RAMBLER MINES
LIMITED**



FOR THE YEAR ENDED DECEMBER 31, 1964

Consolidated Rambler Mines Limited

AUTHORIZED CAPITALIZATION

\$5,000,000.00 divided into 5,000,000 shares of the par value
of \$1.00 each.

DIRECTORS

M. J. BOYLEN, D.C.L., D.Sc.	- - - -	Toronto, Ontario
D. W. GORDON	- - - -	Toronto, Ontario
PHILIP E. BOYLEN	- - - -	Toronto, Ontario
GORDON L. MOORE	- - - -	Toronto, Ontario
GORDON F. PUSHIE	- - - -	St. John's, Newfoundland

OFFICERS

M. J. BOYLEN, D.C.L., D.Sc.	- - - -	President
D. W. GORDON	- - - -	Vice-President
GORDON L. MOORE	- - - -	Secretary-Treasurer
CHARLES B. BRANNIGAN	- - - -	Assistant-Secretary

HEAD OFFICE

SUITE 908, 330 BAY STREET-	- - -	Toronto, Ontario
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MINE OFFICE

BAIE VERTE	- - - -	Newfoundland
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AUDITORS

SNYDER, CRAIG & CO.	- - -	Toronto, Ontario
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TRANSFER AGENT and REGISTRAR

GUARANTY TRUST COMPANY OF CANADA	
366 Bay Street, Toronto, Ontario	

Consolidated Rambler Mines Limited

April 1, 1965

To the Shareholders:

On behalf of the Board of Directors, I take pleasure in presenting herewith the annual report of your Company for the year ended December 31, 1964, which includes; balance sheet, certificate of auditors, statement of deficit, statement of mine development, statement of profit and loss for four months ended December 31, 1964 and report of the mine manager.

Your Company's copper-zinc-gold mine near Baie Verte, Newfoundland was brought into production during the year at the rated capacity of 500 tons per day. During late summer, the mill was started up and run in, reaching normal production at the end of August. The Company is exempt from Federal tax during three years commencing September 1, 1964.

Late in the year it was decided to proceed to bring the East Zone mine into production and arrangements were made for financing thereof through the issue of 6% second mortgage bonds up to \$1,200,000. Further, a Rights offering was made to shareholders resulting in sale of 490,001 treasury shares at \$1.50 per share, netting the treasury \$735,001.50.

Construction of buildings and installation of equipment at the East Zone is proceeding on schedule. The present milling facilities are being enlarged to a capacity of 1,500 tons per day, 1,000 of which will come from the East Zone. The construction program and development of the East Zone should bring that ore body into production during the second quarter of 1966.

Your Company has, by agreement with the Province of Newfoundland, acquired the right to explore a reserved area on the Great Northern Peninsula during a three year period, commencing on September 5, 1963. By a further agreement with Northern Canada Mines Limited dated April 30, 1964, that company has agreed to participate to the extent of 50% in this right to explore. An active program of surface exploration was carried out on the concession area during 1964 and it has been recommended that investigations continue on the area during 1965.

M. J. BOYLEN,
President.

Consolidated Rambler Mines Limited

The President and Directors
Consolidated Rambler Mines Limited
Suite 908 - 330 Bay Street
Toronto 1, Ontario

Report Covering Period from January 1, 1964 to April 15, 1965

Dear Sirs:

The first half of the year 1964 was devoted to completion of construction in preparation for production at the Baie Verte property. During the month of August, the machinery was run in as a tune-up period. The plant officially entered into production as of September 1, 1964 and the Company is exempt from Federal Income Tax for a period of three years, commencing from that date. The balance of the year was devoted to gaining experience in the milling and processing of the ores in an endeavour to establish a balanced operation in relation to mill feed and recoveries. The following table reflects improved performance.

	1964	Current 1965
Daily milling rate — tons.....	397	460
Grade: Copper.....	1.26%	1.61%
Gold.....	.127 ozs.	.153 ozs.
Silver.....	.89 ozs.	1.303 ozs.
Zinc.....	2.23%	2.18%
Recovery: Copper.....	90.6%	97.87%
Gold.....	61%	81.65%
Silver.....	57%	72.43%
Zinc.....	59%	73.96%
Grade: Copper Concentrate.....	24.7%	24.8%
Zinc Concentrate.....	53.8%	57.63%

Due to operating difficulties with our diesel generators, we were unable to supply an adequate and continuous power supply to the operation. It had been planned to start up a cyanide circuit in our mill but due to power shortages we were unable to accomplish this nor were we able to increase our milling capacity by flotation for the same reason. At the present time, test work is being done on the cyanide circuit, but with the present excellent recoveries of gold and silver in the copper concentrates, it is extremely doubtful if the operation of the cyanide circuit will be economical.

On February 6, 1965, the Hydrocone-Crusher Foundation failed in sheer and it was necessary to completely replace the foundation. This was accomplished in record time and the mill placed back in operation on March 2.

During February, the two Mirrless diesel generators were repaired and tuned up by a special maintenance representative. During March, we purchased a new 500 k.w. diesel generator as an insurance for adequate power. The mill has handled in excess of 500 tons per day on several occasions and we are endeavouring to maintain an average tonnage as close as possible to the 500 ton rated capacity.

Negotiations with the Bowater Power Company Limited at Deer Lake to supply 60 cycle hydro electric power were started in October, 1964. The contract has not been signed to date, however, we estimate that hydro electric power will be available at the mine site by November, 1965.

Blast hole stope preparation work is being carried out at an accelerated rate to insure feed to the mill at a rate of 500 tons per day. The outlook for 1965 is excellent.

MINE OPERATION COSTS

	1964 (Per Ton Milled)	Pre-Production Estimate
Development	\$ 0.79	\$ 0.71
Mining	\$ 2.71	\$ 2.87
Milling	\$ 2.56	\$ 2.48
General and Administrative	\$ 1.05	\$ 0.97
	<u>\$ 7.11</u>	<u>\$ 7.03</u>

From the foregoing, it is noted that the actual performance for the year 1964, though on somewhat reduced mill tonnage, (being an average of 397 tons per day), is bearing favourably with the pre-production estimates. With the current tonnage averaging closer to the mill capacity of 500 tons per day, we expect to be able to maintain the costs at this level and every effort is being made to decrease operating costs.

GEOCHEMICAL SURVEY

During the early fall of 1964, a geochemical survey was carried out covering approximately 85% of the property. A total of 2,659 samples were taken. Very interesting results were obtained and follow-up investigation work will be necessary in at least two areas as a result of this survey.

ORE RESERVES

Ore reserves were not recalculated at year end because extraction for a period of four months did not warrant this work, and also no underground exploration work was carried out in 1964. The overall plan of extraction is to start in the extreme southeast end of the ore body and retreat to the shaft, leaving no pillars. This explains why, over such a short period such as 1964 when we only operated four months, the mined grade of copper and gold is lower than the ore reserve calculations on the entire ore body.

EAST ZONE DEVELOPMENT

Late in 1964, a decision was made to bring the East Zone into production. Shaft sinking is scheduled to start about May 1, concentrator building expansion to start about June 1, and production at the rate of 1,000 tons per day from the East Zone to commence approximately March, 1966.

The main access road (approximately 6,000 feet) is completed except for topping which will be done with the waste brought from the shaft. Secondary class roads to the pumphouse and the explosive magazine have been completed. Clearing for fire protection is 65% completed.

The construction required for the East Zone will embrace the following buildings and their ancillary equipment:

Plant building, approximately 32' x 108'; a 100' headframe; a bunkhouse 30' x 116'; a pumphouse and approximately 1,800' of pipeline; an explosive magazine and a 40 horse power heating plant. Four bungalow-type staff dwellings have been constructed in the town of Baie Verte.

Sinking of the shaft collar was completed in December to a depth of 40' below the collar elevation. Concreting of the collar was completed in January. The shaft will be sunk to a depth of 1,100'.

I wish to take this opportunity of acknowledging with appreciation the support and assistance of the President and the Board of Directors throughout the period.

R. F. NASSTROM, B.A.Sc., P.Eng.,

Mine Manager.

Baite Verte, Newfoundland,
April 22, 1965.

SNYDER, CRAIG & CO.

CHARTERED ACCOUNTANTS

CABLE ADDRESS "JNOCRAIG"
TELEPHONE EMPIRE 6-9444

330 BAY STREET

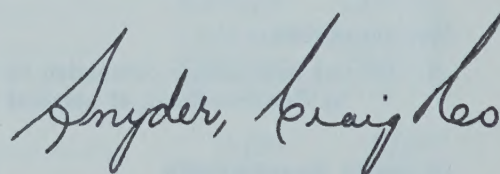
TORONTO

CANADA

To the Shareholders of
CONSOLIDATED RAMBLER MINES LIMITED,
Toronto, Ontario.

We have examined the Balance Sheet of Consolidated Rambler Mines Limited as at December 31st, 1964, the Statements of Profit and Loss, Deficit and Mine Development for the year ended on that date and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the attached Balance Sheet, Statements of Profit and Loss, Deficit and Mine Development and the Notes to the Financial Statements present fairly the financial position of the Company as at December 31st, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, appearing to read "Snyder, Craig & Co.", written in a cursive, flowing style.

Chartered Accountants.

March 22nd, 1965.

Consolidated Return

(Incorporated under the laws of the Province of Newfoundland)

Balance Sheet—

(With comparative figures for 1963)

ASSETS		1964	1963
CURRENT		\$	\$
Cash	.....	7,238	12,083
Guaranteed investment receipts and accrued interest	.....	—	605,170
Net estimated amount receivable from sale of mineral concentrate (Note 1)	.....	228,936	—
Accounts receivable	.....	7,816	2,721
Prepaid expenses and deposits	.....	14,937	5,142
		<u>258,927</u>	<u>625,116</u>
SUPPLIES			
Materials and supplies on hand and in transit, at cost	.....	<u>224,016</u>	<u>91,018</u>
FIXED			
1 Mining lease in the White Bay District, Province of Newfoundland, at cost (Note 2)	.....	222,068	222,068
Land, at cost	.....	600	600
Buildings, surface structures and equipment, at cost, less accumulated depreciation of \$56,928 (1963 — Nil)	.....	1,800,273	981,844
		<u>2,022,941</u>	<u>1,204,512</u>
MISCELLANEOUS			
Interest in a mining concession on the Great Northern Peninsula, Province of Newfoundland, at nominal value (Note 3)	.....	<u>1</u>	<u>—</u>
DEFERRED EXPENDITURES			
Mine development expenses, less amortization	.....	1,183,521	765,778
Incorporation and organization expenses	.....	6,755	6,755
		<u>1,190,276</u>	<u>772,533</u>
		<u>3,696,161</u>	<u>2,693,179</u>

Approved on behalf of the Board:

M. J. BOYLEN, Director.

G. L. MOORE, Director.

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es for 1963)

LIABILITIES

	1964	1963
CURRENT	\$	\$
Bank loan, partly secured	310,000	—
Accounts payable and accrued liabilities	514,485	255,760
4½% First mortgage serial bonds payable July 1st, 1965, par value U.S.\$450,000 (Notes 4, 5 and 6)	487,125	—
	<u>1,311,610</u>	<u>255,760</u>
DEFERRED		
4½% First mortgage serial bonds, par value U.S.\$1,050,000 (1963 U.S.\$1,500,000) (Notes 4, 5 and 6)	1,136,625	1,623,750
5% Unsecured, deferred, subordinated notes and accrued interest (Note 7)	52,399	—
	<u>1,189,024</u>	<u>1,623,750</u>
COMMITMENT		
(Note 8)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized:		
5,000,000 Shares of \$1.00 par value — \$5,000,000		
Issued: (Notes 9 and 10)		
2,450,005 Shares	2,450,005	2,250,005
Less: Discount thereon	1,210,000	1,410,000
	<u>1,240,005</u>	<u>840,005</u>
CONTRIBUTED SURPLUS		
Balance, end of year, unchanged	<u>14,625</u>	<u>14,625</u>
DEFICIT		
Balance, end of year	(59,103)	(40,961)
	<u>1,195,527</u>	<u>813,669</u>
	<u>3,696,161</u>	<u>2,693,179</u>

THE NOTES ATTACHED FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Submitted with our Report to the Shareholders
dated March 22nd, 1965.

SNYDER, CRAIG & Co.,
Chartered Accountants.

Consolidated Rambler Mines Limited

Statement of Profit & Loss

For the four months ended December 31st, 1964

INCOME	\$	\$
Gross metal production		667,992
Less: Marketing costs		156,990
Net metal production		511,002
OPERATING EXPENSES		
Mining	169,542	
Milling	124,148	
Mine general expenses	50,818	
Administrative expenses	18,381	362,889
NET PROFIT on operations before provision for depreciation, mine development expenses written off and provincial mining tax		148,113
PROVISION FOR		
Depreciation of fixed assets	56,928	
Mine development expenses written off	47,732	
Provincial mining tax	1,064	105,724
NET PROFIT on operations after provision for depreciation, mine development expenses written off and provincial mining tax		42,389
FINANCIAL EXPENSES		
Interest on first mortgage bonds	24,082	
Finance charge payable to the Province of Newfoundland	14,144	
Other interest	7,164	45,390
NET Loss for the period		(3,001)

Statement of Deficit

For the year ended December 31st, 1964

(With comparative figures for 1963)

	1964	1963
	\$	\$
Balance, beginning of year	40,961	7,564
Add: Loss on disposal of fixed assets	15,141	760
Net loss for the year	3,001	
Discount on sale of bonds	—	16,980
Commission on sale of bonds	—	16,177
	59,103	41,481
Deduct: Profit on sale of securities	—	520
Balance, end of year	59,103	40,961

Consolidated Rambler Mines Limited

Statement of Mine Development Expenses

For the year ended December 31st, 1964

	\$	\$
Balance, beginning of year		765,778
Administration	67,382	
Assays	11,386	
Drifting and cross-cutting	25,630	
Grizzly	4,297	
Line cutting	317	
Milling	26,346	
Mine office overhead	109,072	
Ore passes	39,265	
Pumping station	8,076	
Roads and yards	11,490	
Shaft sinking	9,962	
Slot raises	72,079	
Stope preparation	11,537	
Stoping	12,140	
Surface diamond drilling	126,913	
Surface exploration	7,799	
Temporary buildings written off	3,739	
Underground diamond drilling	5,435	552,865
		<u>1,318,643</u>
Less: Metal recoveries net of marketing charges	87,391	
Mine development expenses written off	47,731	135,122
Balance, end of year		<u><u>1,183,521</u></u>

Consolidated Rambler Mines Limited

Notes to Financial Statements

December 31st, 1964

AMOUNT RECEIVABLE FROM SALE OF MINERAL CONCENTRATES

1. Mineral concentrates produced have been sold to an independent processor. Final determination of the estimated amount receivable cannot be made until after completion of the refining process.

MINING LEASE AND CONCESSION

2. The mining lease granted by the Province of Newfoundland is for a term of 30 years from February 1st, 1961, and is renewable for two additional terms of thirty years each. An annual rental is payable under the lease equal to one-third of the net profits from all mining operations as calculated in accordance with the terms of the lease.
3. Under an agreement dated September 5th, 1963 with the Province of Newfoundland, the Company has acquired the right to explore a reserved area on the Great Northern Peninsula during a three-year period commencing on the above date. A minimum of \$20,000.00 per annum must be expended in the exploration of the area and under a further agreement with Northern Canada Mines Limited dated April 30th, 1964, that company has agreed to participate to the extent of 50% in the aforesaid agreement.

4½% FIRST MORTGAGE SERIAL BONDS

4. The principal amount of the bonds, which are guaranteed by the Province of Newfoundland, becomes due and payable in U.S. funds as follows:

July 1st, 1965	_____	\$ 450,000.00
July 1st, 1966	_____	450,000.00
July 1st, 1967	_____	300,000.00
July 1st, 1968	_____	300,000.00
		<u>\$ 1,500,000.00</u>

5. Under the terms of a Trust Deed, the bonds are secured by a first fixed specific mortgage, pledge and charge on all the Company's real and immovable freehold and leasehold property and rights, including mining leases, rights, concessions, claims and licenses of occupation, now owned or hereafter acquired by the Company, together with all mines, mills, buildings, erections, fixed plant, fixed machinery and fixed equipment and by a first floating charge on all the other assets of the Company.
6. Under an agreement dated as of November 18th, 1963, and in consideration for the guarantee of the bonds by the Province of Newfoundland, the Company has agreed:
 - (a) that it will pay to the Province of Newfoundland, as a first charge on the net profits, \$350,000.00 out of the profits derived from mining operations by equal amounts of \$70,000.00 in each of the

calendar years 1964, 1965, 1966, 1967 and 1968, but if in any calendar year the sum of \$70,000.00 is not paid in full, such amount or the unpaid part thereof, is payable in a subsequent calendar year during which the Company shall have derived sufficient profit from its operation, provided that the whole of the \$350,000.00 shall be paid on or before March 31st, 1969. The amount payable out of profits in respect of the four months ended December 31st, 1964, is \$14,144 leaving a balance of \$55,856 on the first instalment to be carried forward to 1965.

- (b) that during the period that any of the bonds remain outstanding or the Company is under any liability to the bondholders in respect of the bonds or to the Government in respect of its guarantee, it will pay, in addition to the usual mining tax of 5% of net income derived from mining, an additional 2% of such net income.

UNSECURED, DEFERRED, SUBORDINATED NOTES

- 7. The Company has issued 5% Unsecured, Deferred Notes which are subordinate to the indebtedness evidenced by the 4½% First Mortgage Serial Bonds. The holders of the Notes have the option to purchase shares of the Company at \$1.00 per share on the due date, December 31st, 1968, in lieu of cash payment.

COMMITMENT

- 8. Under agreement with Noranda Mines Limited and Matthew James Boylen, the Company has undertaken to authorize, create and issue 6% second mortgage bonds aggregating \$1,200,000 maturing in five equal instalments in each of the years 1966 to 1970 and Noranda Mines Limited has undertaken to purchase an amount thereof up to \$1,200,000 or, if it be less, an amount thereof equal to the cost of development of the Company's property known as the East Ore Body. If the cost of development exceeds \$1,200,000, Mr. Boylen has undertaken to provide, or arrange for the Company to provide, sufficient funds to complete the development.

CAPITAL STOCK

- 9. The Company has issued 200,000 shares of capital stock during the period for a cash consideration of \$400,000.
- 10. On December 31st, 1964, subscription warrants were delivered to the Company's shareholders offering them the right to purchase, at \$1.50 per share, one additional share of the Company for every five shares then held. Subsequently, 490,001 shares were taken up and paid for under the offering and \$735,001.50 was received therefor.

